



COVID-19 – Financial Impact Update

**General Committee
July 6, 2020**



Agenda

1. Financial Assistance Update
2. Economic Update
3. Property Tax Payment Status
4. 2020 Final Property Tax Bills
5. Year-End Projections
6. Payroll Cost Comparison
7. Cash Flow Update
8. Recommendations



1. Financial Assistance Update – Gas Tax

The following statements were released regarding the Federal Government's June 1st announcement to accelerate the Federal Gas Tax payments to Municipalities from July & November to one payment in June.

- The Federation of Canadian Municipalities (FCM) stated *“This modest, preliminary measure may help some municipalities with immediate liquidity issues. But to be clear: this is not new money.”*
- Mayor Frank Scarpitti stated *“Although we appreciate the advancement of this gas tax funding to one payment, it does not address the serious financial crisis and shortfalls we currently face with permanent revenue loss and increased costs due to the COVID-19 pandemic.”*

Gas Tax is not new money; however, it will help to maintain a positive cash flow



1. Financial Assistance Update – Federal Government

- On June 5th, the Prime Minister announced \$14 billion in funding for the Provinces to help them reopen their economies, as part of a safe restart agreement providing:
 - 10 days of paid sick leave for workers,
 - protective gear for front-line health workers and businesses,
 - access to child care; and
 - funding for municipal governments to help keep city services like transit and community programs running
- The Premier of Ontario indicated that the \$14 billion falls far short of what's required to address the "massive need"; the Province has a \$23 billion deficit problem on its own

Municipalities are unsure of how this funding will be allocated or provide assistance



1. Financial Assistance Update – FCM

SAFE RESTART SUCCESS CRITERIA

Four bottom-line criteria for the safe restart plan to protect frontline services & Canada's economic recovery

ENSURE SUFFICIENT FUNDING



Nationwide, municipalities need at least \$10 billion in emergency funding.

SPECIFY MUNICIPAL ALLOCATION



Federal funds intended for municipal needs must be clearly specified.

PROTECT MUNICIPAL SERVICES



It must protect frontline municipal services like fire, paramedics, transit, clean water and shelters.

REACH MUNICIPALITIES QUICKLY & DIRECTLY



Only an allocation-based funding mechanism can ensure that.

Municipalities are essential to Canada's recovery.



They create jobs



They build infrastructure



They get the economy moving

- Municipalities still face \$10-15 billion in non-recoverable losses
- A federal restart plan can lead to a solution protecting the frontline services and recovery Canadians need but only if it meets the bottom-line requirements listed



1. Financial Assistance Update – AMO, LUMCO, GTHA

- AMO, LUMCO, and GTHA Mayors all responded to the Prime Minister's June 5th announcement, stating:
 - Canada's \$14 billion package of support for Provinces and Territories is not clear on how much of the funding is allocated to support communities
 - The package is not enough to address the funding crisis municipalities are facing
 - Only alternatives to Federal/Provincial funding support are property tax increases, service disruptions, or reduction of services
 - Federal & Provincial capital investments to municipalities will help rebuild the economy
- On June 22, the GTHA Mayors & Chairs issued a joint statement on the successful restart and reopening of the economy, and the need for financial assistance from the Federal and Provincial governments

In-year service cuts are a possibility, if financial relief from higher levels of government is not forthcoming quickly



1. Financial Assistance Update – RBC Economics

An economic study carried out by RBC Bank titled '*Canadian City Finances Ailing from COVID-19*', offers several key opinions on what municipalities will need, to weather the current pandemic:

- Municipal budget shortfalls could top \$12 billion in 2020
- Financial support to municipalities from Ottawa has not been sufficient
- Ottawa and Provincial governments have much larger budgets and borrowing capacity than municipalities
- To prevent significant tax increases or deep spending cuts will require funding from the Federal and Provincial governments
- Municipalities should find some workable cost reductions

“To prevent significant tax increases or deep spending cuts, Federal and Provincial governments will need to provide more help, perhaps even non-repayable support”



2. Economic Update

- **The Bank of Canada overnight lending rate**
 - During March the overnight lending rate dropped from 1.75% to 0.25%
- **Canadian Dollar**
 - March 20th - \$0.689 US dollars, June 17th - \$0.739 US dollars
- **Inflation, CPI – (StatsCan)**
 - May 2020 (compared to May 2019): Ontario -0.4% (with energy), 1.0% (without energy)
- **Job Market (StatsCan)**
 - March and April - 3 million jobs lost, May - 290,000 jobs added back
- **Unemployment Rate**
 - May 2020 - Canada 13.7%, Ontario 13.6%
- **Gasoline (StatsCan) – Toronto (per litre)**
 - February: \$1.11, March: \$0.86, April: \$0.79, May: \$0.91 (June > \$1.00 per litre)



3. Property Tax Payment Status

June Year to Date

- 93.0% of regular instalment taxes collected (*Feb, Mar*)
- 98.1% of pre-authorized tax payments (PTP) collected (*4, 6, and 11 month plans*)

94.5% of total taxes have been collected to date (*compared to 96.7% in prior years*)

June PTP instalment

- In June, the only PTP payments received are from the 11 month residential instalment plan
- Collected **95.8%** of the expected \$13.22M tax revenue for June

Key indicator will be the July and August residential instalments and October and November non-residential instalments



4. 2020 Final Tax Bills (Residential)

The **2020 final tax bills** for residential properties were issued on June 8, 2020.

A total of **105,563** property tax bills were issued totaling **\$282.4M**;

1. 70.6% ,or **74,558** accounts are on a ***regular instalment plan***, with due dates on July 6th & August 5th
 - Anticipated instalments total **\$97.6M** for July and **\$98.6M** for August
2. 29.4% ,or **31,005** accounts are part of the ***Pre-authorized Tax Payment Program (PTP)***
 - Anticipated installment amount totaling **\$86.2M** by year-end

The 2020 final tax bills for **non-residential** properties will be issued by August 31st, 2020



5. Year-End Projections

Physical distancing ends:	August 31st	December 31st
1. TAX FUNDED COVID-RELATED PROJECTIONS (\$Millions)		
1 Recreation revenue loss	(15.23)	(19.60)
2 Recreation expenditure savings	8.34	12.86
3 Redeployment of staff savings (Recreation to Operations)	0.52	0.68
4 Culture revenue loss	(2.91)	(3.76)
5 Culture expenditure savings	1.46	2.31
6 Library revenue loss	(0.71)	(0.80)
7 Library expenditure savings	1.69	3.46
8 Investment income	(3.00)	(3.00)
9 Waived penalty and interest to December 31st	(2.77)	(2.77)
10 Legislative services revenue loss	(2.40)	(2.63)
11 Finance and supplemental tax revenue loss	(1.72)	(2.67)
12 Crossing guard contract savings	0.24	0.53
13 Staff recruitment strategy	0.60	0.75
14 Additional COVID related expenditures	(1.98)	(2.35)
NET DEFICIT RELATED TO COVID	(17.86)	(16.98)
2. NON-TAX FUNDED COVID-RELATED PROJECTIONS (\$Millions)		
1 Deferred stormwater fee	(9.70)	(9.70)
2 Suspended MAT tax	(3.30)	(3.30)
3 Maintained water/wastewater rate at 2019 level and reduced usage	(2.25)	(3.55)
NET DEFICIT RELATED TO COVID	(16.35)	(16.55)
TOTAL TAX AND NON-TAX FUNDED DEFICIT COVID PROJECTIONS (1+2)	(34.21)	(33.53)

May 2020
results are in
line with staff
forecasts



5. Year-End Projections

Physical distancing ends:		August 31st	December 31st
1. TAX FUNDED COVID-RELATED PROJECTIONS (\$Millions)			
	NET DEFICIT RELATED TO COVID	(17.86)	(16.98)
2. BUSINESS AS USUAL (BAU) PROJECTIONS (\$Millions)			
1	Anticipated gapping savings	0.70	0.70
2	Corporate contingency	3.02	3.02
3	Investment income	3.00	3.00
4	Other	0.28	0.28
	NET BAU SURPLUS PROJECTED TO YEAR-END	7.00	7.00
	NET DEFICIT PROJECTED TO YEAR-END (1+2)	(10.86)	(9.98)

May 2020 results are in line with staff forecasts



6. Payroll Cost Comparison

May 2020 vs. May 2019

STAFF CATEGORY	May 2020		May 2019		VARIANCE 2020-2019 INCR/(DECR)		VARIANCE 2020-2019 INCR/(DECR)	
	GROSS SALARY (\$M)	EMPLOYEES (No.)	GROSS SALARY (\$M)	EMPLOYEES (No.)	GROSS SALARY (\$M)	EMPLOYEES (No.)	GROSS SALARY	EMPLOYEES
Full Time	\$7.78	1,090	\$7.76	1,093	\$0.03	(3)	0.3%	(0.3%)
Part time	\$0.81	204	\$2.18	1,619	(\$1.36)	(1,415)	(62.7%)	(87.4%)
TOTAL	\$8.60	1,294	\$9.93	2,712	(\$1.34)	(1,418)	(13.5%)	(52.3%)

Comparing May 2020 to May 2019, the City paid 87.4% fewer part time employees



7. Cash Flow Update

- A cash flow model has been developed to run different scenarios, including length of quarantine period, and residents' and businesses' willingness to pay taxes
- Assuming an 80% tax collection rate, City would be in a \$100M negative cash position at year end. For every further 10% reduction in taxes collected in 2020, year end cash balances would be decreased by a further \$40-45M.
- This will provide direction as to when the City will need to sell investments or borrow.
- Staff have secured a temporary borrowing facility with the City's financial institution to bridge potential cash flow shortfalls. This will likely be required starting in December, until taxpayers begin making arrears payments in 2021.



8. Recommendations & Next Steps

1. That the presentation entitled COVID-19 – Financial Impact Update be received; and,
2. That the City Treasurer report back to Council on August 25; and further,
3. That Staff be authorized and directed to do all things necessary to give effect to this resolution.